

# The Rise and Fall of Social Housing in Canada

## 1935–1992

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THE RISE AND FALL OF SOCIAL HOUSING IN CANADA 1935-1992

(A Study in Government Involvement)

presented by

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THE RISE AND FALL OF SOCIAL HOUSING IN CANADA (1935-1992)

(A Study in Government Involvement)

Among Western industrializing nations in the first half of the 20th Century, Canada was last in the process of governmental intervention to meet the housing requirements of households that experienced serious difficulty in solving their shelter problems with their own resources.

It was not until the midst of the "Great Depression" that the federal government passed legislation known as The Dominion Housing Act 1935, whereby prospective homeowners would be assisted with mortgage loans and rate subsidies. This measure was the only bill among many submitted for constitutional review by the Judicial Committee of the Privy Council within the Parliament of Great Britain in 1935, to be declared intra vires of the Government of Canada.

The Essentials of Analysis of Social Housing Policy

An analysis of social policy proposals and programs enacted within a specific nation by national governments, parliaments and legislatures of states and provinces, requires a relatively simple and comprehensible definition. This is particularly the case since social policy is intended to improve such major elements of human standards of living as economic or social security, housing, education, employment standards, retirement policies and pensions.

One such definition which is appropriate in this context is:

"Social policy is a course of action adopted and pursued by a government, including national and subsidiary legislatures, or a political party, pertaining to activities designed to remedy or alleviate certain unfavourable conditions of life in a community, especially among the poor."

In Canada, a federal state for 125 years, with a national government and governments of 10 Provinces, and two Territories in the north, considerations of social policy immediately raise issues of enormous importance. These include constitutional, political, economic, social and administrative concerns. In the field of housing such issues are magnified by serious

philosophical differences between the proponents of privately developed housing accommodation in response to market forces, and proponents of social, that is, public housing for those unable to meet the shelter requirements of their households.

During the first 65 years of Canada's existence as a nation (and later designated a Dominion within the British Empire) constitutional questions predominated. The British North America Act 1867 (recently renamed The Constitution Act 1867) was subject to review by the Judicial Committee of the Privy Council in Westminster. That group ruled consistently that legislation implementing social policy initiatives in such areas as minimum wages, hours of work, child labour, welfare assistance, education and health care were ultra vires of the Government of Canada and thus, the responsibility of the Provinces.

The favourable decision of the Judicial Committee in the case of The Dominion Housing Act 1935, was decided on the grounds that a national emergency existed which threatened "the peace, order and good government" of the nation. Similar emergencies, for example in the lack of employment and an unemployment rate of 25 per cent of the labour force, were apparently discounted.

It is clear that social housing policy was stimulated ab initio under enormous pressure on the national government from two principal events: economic depression and world wars. At the close of World War I, Canada experienced a deep depression for nearly three years (1919-21). Despite the early wartime promises of 'homes fit for heroes', there were only a few weak housing initiatives on the part of the then-ten senior governments.<sup>1</sup>

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<sup>1</sup>In October 1917, a disastrous explosion following the collision of two munitions ships in Halifax Harbour, devastated an entire neighbourhood. The rebuilding process has been viewed as the first major public housing program in Canada. Moreover, it led directly to and was administered by the newly created Nova Scotia Housing Commission, the first Provincial Authority in Canada.

The "Great Depression" (1929-39) hit hard against the social policy inertias of all Canadian governments while politicians could not overlook the fact that most local governments were technically bankrupt, that is, in default of interest on their bonds. The federal housing legislation of 1935 was only intended to assist a few thousand Canadians to become home owners, a process further expanded by the first National Housing Act 1938, under the aegis of a government directed by the Liberal Party. The Liberals held power in all but 6 years in the ensuing half-century, 1935-84.

#### A Progression of Canadian Social Housing Policy

The Second World War (1939-45) exerted a longitudinal influence upon the Government of Canada to undertake social policy initiatives in housing, social security for children and the elderly, social welfare services broadly defined and health care. Canada's "welfare state", if it can be so described, was enacted by Liberal governments, a fact which has some significance in appraising the weakening and outright elimination of several keystone programs by the Conservative Party in power since 1984.

In the broad area of social housing policy the Canadian government enacted a second National Housing Act 1944, and created a national housing agency with the title Central (recently renamed Canada) Mortgage and Housing Corporation in 1945, to co-ordinate all federal housing programs remaining from the war and its aftermath, and to plan for the postwar period. The NHA 1944, added to the previous legislation incentives to builders to create rental housing, loans for rural housing, home improvement and home extension loans, and a fund for Housing Research and Community Planning, both in-house and externally within the academic and professional research communities.

The clear emphasis through two world wars and two severe economic depressions was upon home ownership for the middle-class. But the pressure was building upon all governments in Canada as World War II drew to a close, to consider and remedy the housing conditions of the poor, and in particular, the situation of families with children.

In speaking to the Second Reading of the Family Allowances Act 1945, the Prime Minister, W.L. MacKenzie King, told Parliament that this program of children's allowances would assist in improving the provision of adequate food, clothing and shelter for Canada's children.<sup>2</sup>

Within a year or two of the end of the war it appeared that the birth rate in Canada was rising strongly by comparison with the pre-war rate of 15 per 1,000 of population. The incipient 'baby boom' was the second demographic influence of substance. Within a dozen years Canada's birth rate had risen to 30 per 1,000, one of the highest rates in the statistical records maintained by the United Nations. During the early 'sixties' the number of live births approached 450,000 per annum. The number of intact families with 3, 4 or 5 children recorded in the Censuses of 1951 and 1961 exceeded all previous data. These facts were to prove seriously troublesome to the administrators of social housing whose stock of townhouses or very large apartments was modest.

As well, Canada had begun to open its borders to newcomers from abroad. From January 1, 1946, to the mid-sixties between 100,000 and 250,000 immigrants per annum were added to the population of Canada. The national population increased by 45 per cent between 1941 and 1961 to 16 millions with newcomers and their Canadian-born children accounting for about 30 per cent of the increase.

#### The Breakthrough and the Boom in Social Housing

It was not until November 1949, at least a half-century after Britain's legislation designed to eliminate slums and house its working population, and nearly two decades after the early New Deal legislation in the United States

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<sup>2</sup>The Prime Minister's reference to housing became the focus of a dispute, which ran on for more than two decades, between local housing authorities and the Central Mortgage and Housing Corporation. The LHAs insisted that Family Allowances received by public housing tenants should not be included in household income for the purpose of rent calculation. The Corporation insisted otherwise. At times one argument or the other prevailed for a short period of years.

with somewhat the same purpose in mind, that Canada entered the essential social housing endeavour. In November 1949, with the consent of all ten Provinces (Newfoundland had joined Canada on July 1, 1949) the National Housing Act 1944, was amended with the addition of a new Section which read:

S. 35 The Government of Canada through its agency may make agreements with the government of any province or its agency to undertake jointly

- (1) the acquisition and development of land for housing purposes
- (2) the construction of houses for sale or for rent

Where such federal-provincial agreements are concluded, the capital cost of the project and the profits or losses shall be shared 75 per cent by the Corporation (CMHC) and 25 per cent by the government of the province or its agency.

This was described as 'enabling' legislation, requiring each province to pass corresponding legislation enabling its administration to participate in such agreements. These could come into force on January 1, 1950, and several Provinces had projects under careful planning and preliminary design from the beginning. During the next decade Newfoundland, Nova Scotia, New Brunswick, Ontario, Saskatchewan and British Columbia developed and built social housing either through 'slum clearance' and re-housing, or public housing per se on vacant land.

Within the provinces and the municipalities responsible for sharing 25 per cent of the capital cost and annual subsidy payments (losses), a careful and tedious process of "selling" the proposals to the general public became essential. The most successful argument became the exposition of a quasi-medical model and a research scenario which projected the reduced costs to the local taxpayers of health, welfare, police and fire services, street cleaning, garbage collection and other services, after the completion of the clearance and re-housing program proposed. In the first instance, however, it was essential to designate certain debilitated, poorly serviced, often overcrowded, usually older, mixed land-use neighbourhoods as 'cancers on the body politic'.

In the state of medical knowledge at the time cancers must be eradicated

Social Housing

Albert Rose

through radical surgery (a.k.a. slum clearance). Every structure within the designated neighbourhood was to be demolished; every resident moved out but given priority in re-housing when the new structures were completed and available for occupancy.

The entire process required at least 3 years and sometimes longer from the time of the initial formal resolution by the local council requesting the senior partners to operate under the master federal-provincial agreement for the particular Province and undertake a specific social housing project. C.M.H.C. developed the necessary zoning and planning resolutions for local implementation, approved the chosen site, designed the layout of buildings on the site and the new housing structures, let the contracts, inspected the buildings when completed and ready for 'take-over' by a local housing authority composed of 'public-spirited citizens'. The members would represent the three levels of government, each with one-third membership. They would be unpaid. The Province would appoint the Chairman of the Authority.

Despite the apparent excitement and activity in many communities throughout Canada it became clear by the end of the first decade that no more than 10,000 dwelling units - some in the form of townhouses but most in the form of apartments - were completed. By that time a new government formed by the Conservative Party following national elections in 1957 and 1958, had virtually shut down (but not eliminated) the public housing program under Section 35.

The third National Housing Act was passed in 1954. The Government of Canada introduced Mortgage Loan Insurance, emphasized that the chartered banks and other lenders should enter the field of residential ownership financing, and guaranteed their operations. New home buyers would pay a small insurance premium as a percentage (originally 2%, later 1%) of the sale price. These payments created a Mortgage Insurance Fund from which to reimburse lenders in the event of default.

In addition, for the first time, the phrase 'urban renewal' was written

Social Housing

Albert Rose

into the legislation - following the lead of the United States in 1949 - under the rubric of "Housing Redevelopment". Local governments could propose schemes of 'housing redevelopment', a strengthening of the former slum-clearance section of the Act (Section 23). Cleared areas would necessarily, however, be replaced by new housing on the site. This stipulation proved unreasonable, considering the location of many schemes, and unacceptably poor planning. Two years later, in 1956, the operative phrase was changed to "Urban Redevelopment". By this amendment cleared areas could be replaced by light industry or warehousing, for example, provided that displaced residents were offered new and suitable accommodation within their means elsewhere in the community.

Since relocation housing was slow in building and often not provided anew, further pressure was placed upon the administrators of scarce resources of public social housing.

#### The Heyday of Canadian Social Housing

As the 1960s unfolded, uneasiness over the lack of progress in the development of social housing was translated into demands for new federal legislation. This was realized in 1964 with the passage of the most significant amendments to the National Housing Act in two decades.

Technically, the NHA 1954, continues to exist and does to this day.

In 1964, the Government of Canada proposed to increase its capital share of social housing construction to 90 per cent from 75 per cent, but lowered its share of rental subsidies to 50 per cent from 75 per cent. The Provinces were assured that in return for their share of capital provision and continuing administration and management of their respective housing projects they would own the housing accommodation outright at the end of the mortgage loan repayment period.

The Provinces and their local and regional governments responded in two fundamental ways, organizational and programmatic. Beginning with the

Social Housing

Albert Rose

creation of the Ontario Housing Corporation in 1964, and within five years, all Provinces reorganized their administrations and created housing corporations or inter-departmental committees to negotiate with the federal agency in the development of social housing on the 90-10 capital formula.

In Ontario, with a population of 7-8 millions in the mid-'sixties, the Ontario Housing Corporation was given the power to acquire housing for low-income applicants by all conceivable means -- direct construction by contract with private building organizations, purchase of new and older housing from developers, selection of builders' proposals for housing programs, conversion of existing structures for social housing accommodation. As a consequence of a multitude of initiatives and the strong support of the Premier and the Government of Ontario the social housing stock of some 8,000 dwellings in the early 'sixties expanded to nearly 100,000 units within a decade. The number of local housing authorities expanded in that Province from little more than 20 to 50 and to 60 by the early 'eighties, to achieve the objective of administrative coverage of all urban and rural areas in the Province.

In the remaining Provinces progress was slower, careful and cautious. Legislation had to be passed or revised; administrative organizations had to be created anew or modified to assume new responsibilities; financial arrangements had to be negotiated and overall or master agreements had to be drawn and ratified by the federal and provincial ministries. Local governments had to be consulted and drawn into the process in terms of land, infrastructure, and financial capacity.<sup>3</sup>

Nevertheless, the record of numerical achievement is not unimpressive while pleasing neither the advocates nor the critics. The original program launched in 1949 with a 75-25 capital and subsidy arrangements produced a total of 40,618 dwelling units when all developments near or under construction were completed in 1985. The program launched in 1964 on the

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<sup>3</sup>Albert Rose, Canadian Housing Policies (Butterworths Canada Ltd. 1980) pp. 69-100.

Social Housing

Albert Rose

basis of a 90-10 capital split and 50-50 subsidy arrangement, produced 165,237 dwelling units between 1965 and 1978. Rent supplement schemes subsidized on a 50-50 basis assisted 19,276 low-income households to rent in private accommodation.<sup>4</sup>

The era of federal-provincial co-operation began to unravel and the social housing euphoria in Ontario began to dissipate as the 'sixties neared a close. Ontario alone was absorbing more than 95 per cent of all federal mortgage funds available for public housing and in 1969-70, the figure reached 98 per cent. Not only did the other Provinces have a claim on these funds which, when realized, would reduce Ontario's activity but in 1970 the President of CMHC announced an agreement with the Quebec Housing Corporation whereby \$150 millions were made available without the strict controls imposed on Ontario and other Provinces since 1964.<sup>5</sup>

#### The 'Seventies: Beginning of the End

A series of factors or influences combined in the last years of the 'sixties to develop intensely strained relations between Ontario and Ottawa and thus between OHC and CMHC. These strains included tensions between the several Provinces vying for federal mortgage funds and particularly vis-a-vis Ontario; the agreement with Quebec calling for 'block funds', a departure denied to Ontario; the election to power of a new Liberal Government led by Pierre E. Trudeau in 1968, confronting, as it were, a Conservative administration in Ontario already in power since 1943.

The Prime Minister responded by appointing a Task Force on Housing and Urban Development in the Fall of 1968 under the Chairmanship of Paul Hellyer, a former land developer and member of the federal Cabinet.<sup>6</sup> The Chairman

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<sup>4</sup>Albert Rose, op.cit. data generously made available by CMHC.

<sup>5</sup>idem., p. 70.

<sup>6</sup>Albert Rose, op. cit., pp. 43-54.

said that his study would be completed within four months and it was tabled in Parliament on January 22, 1969. The major recommendations of the Report of the Task Force were focused on home ownership: a reduction in down payments of National Housing Act guaranteed mortgages, an expansion in the size on such mortgages, an increase in the amortization period to 40 years from 35, and a reduction in the mortgage insurance premium from 2 per cent to one per cent. Ten of the Report's 85 pages were devoted to the inadequacies of some of the older and larger public housing projects in Canada and the social and economic evils that had developed among some tenant families. The recommendation that 'no more large projects be built' had already been implemented by the O.H.C. and was part of the philosophy of all other Provincial housing administrations.<sup>7</sup>

Perhaps the most important recommendation was the call for the creation of a federal ministry of housing, by whatever name. Since 'housing' was a Provincial responsibility within the Constitution of Canada, Prime Minister Trudeau cleverly created the concept of 'Ministries of State', each headed by a junior Minister. Accordingly, a Minister of State for Urban Affairs was formally proclaimed on June 30, 1971.

Although the Report of the Task Force on Housing and Urban Development was formally rejected by the Liberal Government and Mr. Hellyer resigned from the Cabinet, and soon thereafter from Parliament, most of the recommendations of his Report were implemented within 3 years. A widespread revision (series of amendments) of substantial importance to the National Housing Act 1954, were passed in 1973.

The 1973 Amendments and new federal initiatives included:<sup>8</sup>

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<sup>7</sup>ibid., pp. 45-48.

<sup>8</sup>Albert Rose, op. cit., pp. 54-64.

(1) Assisted Home Ownership -

new Sections of the Act, introduced under Part IV.2 entitled "Loans to Facilitate Home Ownership" directed towards lower-income families with one or more dependent children

(2) Non-Profit Housing Assistance -

a re-written Section "to make it easier for non-profit housing organizations to develop housing projects". Loans may be made to non-profit corporations of three types: those constituted exclusively for charitable purposes; co-operative associations whose members will make up the majority of the occupants; and housing co-operatives owned entirely by a municipality or an agency of a municipality

(3) Co-operative Housing Assistance -

several textual amendments to make it easier for low-income families and persons to obtain housing through co-operative associations; encouragement was implied for individuals to organize, not only to build new housing but to rehabilitate existing housing

(4) Neighbourhood Improvement Program -

a new Part III.1 was added to the Act enabling CMHC to make loans or contributions to improve the amenities of neighbourhoods and housing and living conditions

(5) Residential Rehabilitation Assistance Program -

a rewritten Section, Part IV.1, which specified more clearly the nature of eligibility for federal assistance and a new approach in the form of forgivable loans

(6) Land Assembly Assistance -

essentially wording confirming language originally appearing as early as the amendments of November 1949

(7) New Communities Program -

relatively new legislation (Part VI.1) which included for the first time the acquisition of land "for a new community including land to be used for transportation corridors linking the community to other communities, or for public open space ..."

(8) Development Program -

an amendment in Part V, "Housing Research and Community Planning" to enable the federal government to play a more significant role in the development of new and innovative solutions to housing problems

## (9) Housing for Indians on Reserves -

an amended Section to authorize CMHC to "make loans to Indians, as defined in the Indian Act, for the purpose of assisting in the purchase, improvement, or construction of housing projects on Indian reserves."

## (10) Purchaser Protection -

an amended section essentially establishing a home warranty program for purchasers insured through the provisions of the NHA

In summary, the National Housing Act amendments of 1964 marked a turning-point in federal-provincial relations in the field of social housing. They promised greatly increased attention to the shelter needs of the disadvantaged. By contrast, the amendments of 1973 were marked by different emphases without suggesting that the Government of Canada was turning its back, figuratively speaking, away from those for whom it had accepted responsibility for nearly 40 years.

Two fundamental messages permeated the amendments of 1973. Firstly, the Government of Canada signalled that it was losing faith in the methodology of 'traditional social housing' which, as it happened, was terminated five years later. In several new initiatives the federal authorities turned to a strengthening of the opportunities for home ownership among lower-middle and upper-lower income households.

A second major message concerned non-profit and co-operative housing associations. Greater encouragement would be given to such groups because the notions of self-help and voluntary association appeared to promise adequate shelter and living conditions which might avoid the excesses and public criticism of past years.

Above all, there was a clear message that the Government of Canada intended to play major roles in the provision of shelter in almost every respect of human need for housing and community. As a government it would gain the credit which had been overlooked in the enormous activity of Provincial Housing Corporations since 1964.

Non-Profit and Co-operative Housing Programs

Although it had been possible for voluntary groups constituted for charitable purposes to obtain substantial governmental assistance under Section 9, the so-called 'limited-dividend' section of the National Housing Act 1944, the federal government's "specific involvement in financing continuing co-operative housing formally began in 1973 with the introduction of a Co-operative Housing Program."<sup>9</sup> Many organizations in Canadian communities were soon drawn into the opportunities to sponsor housing projects for disadvantaged individuals and families living in their communities, whether identified as members of the sponsoring group or otherwise anonymous residents in need of shelter.

Across Canada a great variety of sponsoring organizations emerged both to the satisfaction of their membership and that of the general public which viewed the new or rehabilitated housing as worthwhile alternatives to public housing. Housing Associations were developed by religious congregations (often using land on church premises, already owned), Service Clubs and Brotherhood Organizations, new incorporated divisions of long-standing charitable organizations and social agencies.

A description of the organization and numerical achievements of approximately 1,500 co-operatives in Canada in the early 1990s is further complicated by changing financial arrangements between the federal authorities and the housing associations. Thus the statistical data are published for periods of specific financial arrangements, for capital financing and operating subsidies. In the first twelve years (1973-85) under two schemes of financing, the first five years with 90 per cent CMHC direct low interest loans for up to 50 years and a 10 per cent capital contribution with no further subsidies, and the last seven years by means of private lending with

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<sup>9</sup>CMHC. Evaluation of the Federal Co-operative Housing Programs, Summary Report, February 1992, p. 3-5.

100 per cent NHA insured 35-year loans and an interest rate write-down to 2 per cent as a subsidy -- 45,107 dwelling units were completed.

In 1986 a system of Index-Linked Loans was created and the name of the initiative became the Federal Co-operative Housing Program (FCHP). Private lenders engaged by the co-operative associations are guaranteed a fixed rate of return after inflation. Since 1986, 11,400 dwellings have been produced.<sup>10</sup>

In a somewhat different statistical breakdown indicating activity under non-profit programs for the period 1980-91, the number of units for Canada as a whole described as "National Roll Up Of Non-Profit", is recorded as 209,567. Non-Profit 'private' units accounted for 76,100 and non-profit 'public' (municipal non-profits such as the City of Toronto Non-Profit Housing Company) were 64,700. Co-operative Housing Associations recorded 36,418 units.<sup>11</sup>

By the 1990s, the federal authorities had begun to reduce the annual number of units they would support in the mortgage market. Despite the social and numerical success of the non-profit and co-operative housing programs since the early 'eighties, the social housing segment of total annual federal budgets of \$150 billions with deficits of \$30 billions, could not withstand the financial pressures. In the 1992-93 budget the Minister of Finance formally ended the national role. It was left, therefore, to the Provinces and their localities to continue with the programs on some scale, or to 'bow out of the picture'. Ontario, remarkably, has decided to continue and expand the programs at their own financial involvement. The Municipality of Metropolitan Toronto and the City of Toronto, despite rising taxes on residents and financial problems of some magnitude, have continued their participation and construction.

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<sup>10</sup>Data supplied by CMHC.

<sup>11</sup>A special computer run, dated September 3, 1992, was kindly provided by CMHC.

The Demise of 'Traditional Social Housing'

The phrase 'traditional social housing' refers to the system of federal-provincial agreements (a.k.a. 'partnerships') to plan and construct housing for rental to modest or low-income families or senior citizens; the administration of which would be carried out by a local housing authority of citizen volunteers representative of the three levels of government involved.

The Minister of State for Urban Affairs, Canada, a junior member of the Cabinet in the Liberal Government headed by Pierre E. Trudeau, announced early in 1978 that the traditional system initiated with the amendments of 1949 to the National Housing Act 1944, would be terminated at the close of 1978. It was not clear whether there had been extensive or any consultation with the Provinces but there was little time to mount opposition or strong overt criticism.

Why had public social housing of thirty years duration failed to recommend its continuation in the minds of elected and appointed officials and important elements in the general public? The most important reasons or credible explanations include the following:

1. The expectations of Canadian society and its leaders for social housing provision were at best unrealistic, at worst naive!

The Canadian public, in general, and its politicians, in particular, believed that individuals and families living in deteriorated or slum areas in Canadian cities were poor, either because they were 'down on their luck', or ill-educated and unskilled, or families with large numbers of children. The Minister Responsible for Housing in Ontario said on several occasions inside and outside the legislature, "There but for the Grace of God go we". In brief, we are lucky and those who need social housing are not.

The costs of decent, safe and adequate housing accommodation were an excessive proportion of their incomes (more than 20, 25 or 30 per cent). What was required was housing adequate in physical, economic and social terms - that is, with sufficient bedrooms for the size and gender distribution of the children, with separate sleeping, cooking, dining and bathroom facilities at

an affordable cost, suggested at not more than 20 per cent of their gross family income.

New and adequate housing accommodation, therefore, would enable such households to engage in sound budgeting, to save money, to enter the housing market as home-owners, and eventually to be free of poverty.

It was clear by the early 'seventies, with a quarter-century of experience in Canada, that these expectations were fundamentally unrealistic, except for a few families. Social housing projects were being categorized in the large cities as 'villages of the poor', and the 'hopeless', if you will.

2. The financial requirements of social housing proved to be far greater than politicians, business leaders and economists had projected.

In the 1950s, the first decade of the federal-provincial partnership, the federal housing agency laid down a requirement that the monthly financial subsidy per dwelling unit should not exceed \$25.00. The subsidy was calculated as the mortgage loan covering the total cost of construction (less various hidden subsidies related to land write-down and bureaucratic administration) amortized over 50 years, less the probable rent paid by tenant families per unit month in the specific project.

Within a few years (as the cost of construction rose enormously, and tenant incomes remained stable) the maximum permissible subsidy had to be increased on several occasions. By the early 1970s the total annual subsidy to be shared on a 75-25 or 50-50 basis, became the subject of severe criticism and concern both by federal and provincial officials, elected and appointed. The federal Minister of State for Urban Affairs emphasized that the total subsidy had reached half-a-billion dollars although it was not clear whether this was shared with the Provinces or just the national portion. In Ontario, the Province with the most active social housing programs, where a Ministry of Housing had been created in 1973, successive Ministers decried the Provincial share of the subsidies as burdensome, and in one Minister's view, threatened to consume his entire annual budget for housing.

The financial projections of the 1950s and 1960s involved enormous miscalculations for two reasons in particular. Firstly, the cost of construction rose inordinately as serviced land virtually disappeared in the metropolitan areas and many large urban centres, and would have to be created from farm lands adjacent to the central cities in the expanding suburbs. Moreover, the cost of materials and labour rose consistently, impelled by demand and unionization of labour. Skilled labour employed by very large building organizations capable of completing two or three thousand dwellings per annum, commanded far higher wages, benefits and working conditions than those of the first postwar decade.

On the other side of the equation, incomes of prospective tenants did not by any means keep pace with general inflation or the rising costs of construction. Some analysts revealed that the tenant selection process appeared to reach further down the scale of income distribution as the decades passed. The per unit per month subsidy for new construction in Metropolitan Toronto by the early 1980s reached \$500. to \$750. (or more) per unit per month. An annual subsidy per household of \$6,000 to \$9,000 seemed intolerable, both to the several governments and the general public. But the latter had more concerns than the mere matter of money.

### 3. Changing Social Mores in Canadian Society

In the pre-war and early postwar years it was quite rare for an unmarried mother to retain custody of a child born out of wedlock. These children were customarily turned over to Children's Aid Societies (by whatever name) that had guardianship responsibilities by law in several Provinces.

Two decades later this social situation had changed completely. A substantial majority of single mothers in Canada chose to keep and raise their children with income from long-term social assistance benefits and counselling, child care and educational programs offered by social agencies. The stigma of earlier times had virtually disappeared - but poverty had not.

The several Provincial Housing Corporations attempted to discourage

applications for social housing by single parents with dependent children. They set quotas, they set age limits (no applications accepted from single mothers under 18 years of age), they might demand that putative fathers, if they could be identified, also be a party to the application and offer financial support if possible. All of these restrictions were of little avail. By the late '70s, two-thirds of all applicants for family accommodation in social housing in Ontario were single parents (99 per cent female) and most often young. In Ontario the age restriction was dropped to sixteen.

In the minds of critics of the social housing programs of Canadian governments as well as supporters, this potential concentration of young unmarried mothers with dependent children, was deplorable. Moreover, they were certain that this situation spelled future trouble within the social housing communities in terms of moral values and child raising, let alone role models for children, both those of intact families resident therein and the growing children of one-parent families, the teen population. In Metropolitan Toronto consistently 60 per cent of the social housing population were under the age of nineteen.

#### 4. The Impact of Rapidly Changing Ethnic and Religious Groupings in Canadian Cities

At the close of the Second World War, Canada was composed substantially and predominantly of two ethnic and linguistic groupings - Francophones in Quebec, and Anglophones in the remainder of the country. In the Atlantic Provinces, Ontario and British Columbia, with at least 60 per cent of the total population altogether, the great majority of families were of English, Scottish, Irish or Welsh origin. In Ontario, for example, about 80 per cent of the people were white, Anglo-Saxon derivation and Protestant by religious affiliation. About 18 per cent were Roman Catholic but primarily British in terms of nationality. The small remainder were Jewish and small memberships in various Oriental religions.

Within a quarter-century, immigration from abroad evoked a radical

change in those configurations. The sources of immigration passed through two stages and continue in the midst of a third, although all three stages overlap. During the first fifteen years of the postwar period newcomers were sought eagerly by Canadian governments and business leaders, from the United Kingdom, Western and Northern Europe. By the early to mid-'sixties the search shifted to Southern Europe, Italy, Portugal and Malta, as the employment requirements of the construction industries and the need for infrastructure predominated.

Since the mid'seventies, most newcomers have come to Canada from Africa, India, Pakistan, the Philippines and especially from the Caribbean Islands. To British Columbia on the Pacific coast, newcomers are primarily from Hong Kong, Taiwan and India.

Canada has become a multi-racial, multi-ethnic nation in which adherents to Roman Catholicism approximate 50 per cent of the total population. In Metropolitan Toronto, Blacks who numbered about 10,000 in 1960 are estimated to number 300,000 in 1991.

The impact of changing patterns of immigration to Canada - said to account for about one-third of the current population of 27 millions - upon the development of social housing programs, has been and remains profound. Newcomers from Europe and Hong Kong are fundamentally property-conscious. They value the ownership of property as the ultimate social security provision. Many have worked long hours at two or three jobs simultaneously to gain home ownership. They have transformed the older homes in downtown cities through personal labour and family financing - often in neighbourhoods once considered suitable for 'slum clearance'. Clearly, such families are not fundamentally concerned with social housing.

A second major impact is implicit in the fact that applications for social housing accommodation have been most appropriate in the view of persons from other parts of the world. For the white majority, that means persons of colour. Canada is not free from underlying racism and for those with more

than a nominal degree of prejudice it appears that the proportion of social housing households occupied by people of colour has increased substantially. Provincial human rights legislation forbids the maintenance of statistics by race but media reports of crime, violence, drug-dealing, vandalism and the like in social housing communities have given support to those who have little or no regard for social housing programs in the first instance, and strongly oppose their expansion.

The swelling of Canada's population through immigration has thus reinforced opposition to social housing developments of the traditional kind in two ways. Those newcomers whose deep desire is property or home ownership have shown little interest in public housing accommodation for themselves; and those newcomers who do require social housing assistance have been viewed as an 'underclass' of poverty and a drain on public resources. They have not evoked widespread concern from the general public.

These comments on changing ethnic and racial groupings can be seen to encompass the weaknesses of generalizations. After all, social housing in all its Canadian manifestations constitutes only about 5 or 6 per cent of the total Canadian housing stock.

##### 5. Government Debt and Annual Budgetary Deficits

In 1968, with an access to power of Liberal leader Pierre E. Trudeau, Canada's national debt was less than \$25 billions. The Government of Canada and the ten Provincial Governments usually budgeted each year for small deficits and, from time to time, small surpluses.

A decade later, the national debt was approaching \$150 billions and the annual federal budgetary deficit exceeded \$10 billions. By the time the Conservative Party gained power in 1984, the national debt was approaching \$250 billions and the annual federal budgetary deficit was beyond \$20 billions. In the early '90s the figures are more than \$400 billions and \$30-35 billions, respectively.

The pressures on federal expenditures have been exacerbated by the need

### Social Housing

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to devote about one-third of revenues to pay the annual interest on the debt. All expenditures on housing have been scrutinized and restrained year after year since 1986 and the federal budgetary goal has apparently been that of elimination except for the contractual responsibility to pay the federal share of subsidies related to the social housing activities of the past half-century. The goal has been reached with the federal budget of 1992-93.

The numbers are smaller but the financial situation in most of the Provinces is not dissimilar. In recent years, in fact, the growth in provincial debts and annual deficits has been proportionately greater than at the federal level, with much the same results -- restrained expenditures, cutbacks in social welfare benefits and non-financial programs, serious restraint in the health care field. Despite the recent elections to power of Social Democratic Governments in Ontario, Saskatchewan and British Columbia (covering half the total national population) severe restrictions upon program expansion exist in all social fields.

The one exception to this generalization rests in social housing in Ontario. Since 1990, the Provincial Government has permitted enormous budgetary deficits approaching \$10 billions. The non-profit and co-operative social housing programs have continued to develop with Provincial funding assuming the previous financial role now vacated by the Government of Canada.

Any hope for a revival of construction for the disadvantaged in Canadian society is contraindicated by the inordinate financial difficulties of governments at all levels, not excluding the local and regional entities whose share in social housing is largely the provision of infrastructure, social and health services, recreational and educational services -- a set of costly and expanding responsibilities in times of severe economic recession.

### The Overarching Issue: Basic Philosophical Differences

As far as the future of governmental participation in social housing is concerned, Canadians have learned some fundamental truths about housing. Perhaps the most important is that the concept of 'housing', usually put

forward as the right of every citizen or household to 'safe, sanitary and adequate shelter within their own resources', is by no means a simple notion. This enunciation of policy by some Canadian governments and political parties since the late 1940s immediately confronts differences in philosophy or perceptions of meaning, and the whole question of translation of intent into implementation.

From the point of view of many influential persons in the housing effort -- those engaged in the house-building industry, investors, organizations which finance mortgages, some politicians and some appointed government officials -- housing is a commodity, the most costly of all in the market place but to be bought and sold like other commodities and services. Housing is produced for Canadians by virtue of the assembly of the factors of production -- land, labour, materials and money -- each of which must be properly rewarded, including the assembler through his profit and often, in addition, on the value added to the land already owned.

From the point of view of many equally influential Canadians -- those engaged in the provision of social, public health, recreational and even financial services, some politicians and some government officials -- housing is a common human need and may be considered a social service. Its production requires the intervention of government at several levels in a federal country, to ensure that sufficient housing for all current and future requirements is provided, and that all strata of demand in the population have a reasonable chance of meeting the needs of their families or households for space, physical and social adequacy, and community development.

Since the Liberal Party has been in power in the federal parliament during most of the 20th Century, some analysts have argued that the Liberals are the party of social welfare and social housing. In fact, most of the legislation in the broad fields of the social and health services on one hand; and housing and urban development on the other, were brought forward and passed by Liberal majorities, sometimes with the total approval of the

Conservative Opposition. Nevertheless, in the years of the first postwar Conservative Government, 1957-62, social housing activity was brought to a standstill and public housing was placed under private auspices in the guise of a non-profit program entitled 'limited-dividend housing'.

Yet, it must be noted that the discontinuance of three decades of traditional social housing activity in Canada was legislated by a Liberal Government in 1978-79. It may not, therefore, be the particular party label which is fundamental to this explanation. A brief exploration, however, of the basic socio-economic philosophies of the two major parties may have some merit.

The Liberal Party in Canada, during the first three-quarters of the century, adopted party platforms which emphasized, first of all, north-south relations with the United States and free trade in goods and services.\* The Party, often said to resemble the Democratic Party in the U.S. brought forward almost all social welfare legislation enacted since 1927, including Old Age Pensions, Children's Allowances, Social Security, Child Tax Credits, Medicare, Unemployment Insurance, and Public Housing. The principle of universality rather than selectivity in determining eligibility for benefit in almost all of these programs was an article of faith.

The Conservative Party in Canada, during the first 80 years of the century, adopted party platforms which emphasized, first of all, east-west relationships within Canada and towards the so-called mother country, Great Britain.\* The Party, said to resemble the Republican Party in the U.S. voted for some of the major social welfare legislation such as Children's Allowances and Unemployment Insurance, but opposed such programs as Medicare and insisted that selectivity, the determination of individual need, was far preferable to universality of enrolment and benefit.

\* Since 1984, these positions have been reversed. The Conservative Government entered a Free Trade Agreement with the United States. The Liberal Party strongly resisted the Agreement. The Conservatives look to a north-south mode; the Liberals are not certain. Neither party looks to the former 'mother country'.

During the eight years since the Conservative Party returned to power the universality of children's allowances has been eliminated; the universality of Old Age Pensions has been modified; the regulations governing unemployment insurance have been strongly tightened; and transfers of federal revenues to the Provinces for welfare, health care and post-secondary education - the three major cost-shared program areas - have been severely restricted. As a consequence the Provinces have been forced to cut back health and welfare services broadly available for the past 25 years.

There are fundamental philosophical differences between the two political parties which can be summarized within the notions of social versus individual responsibility. The history of the Liberal Party suggests that most of its members favour governmental intervention in the market system, including the provision of housing accommodation as one aspect of a socially responsible state within a capitalist society. The history of the Conservative Party suggests that most its members favour a market system with as little state interference or regulation as possible, given the need for a safety net for the seriously disadvantaged in a capitalist society. In the case of housing provision the private market is responsible and given the need for governmental subsidies to accommodate those who can pay little or even no shelter cost, the subsidies should be provided to private entrepreneurs, developers and builders, if required.

Concluding Comments

Canadian housing policies and, in particular, the actions of governments with respect to social housing, constitute a paradox in the early years of the 1990s. A deep-seated economic recession commenced as early as the second quarter of 1990. More than two years later it shows few signs of abating, and its devastation is widespread. Unemployment has remained steady at about 11.5 per cent of a labour force numbering between 12 and 13 million persons. The loss of skilled and semi-skilled jobs, especially in manufacturing, is numbered in the hundreds of thousands and most predictions suggest that they will not return when the upturn in economic activity arrives. Increases in service employment do not by any means overcome the deficit in manufacturing employment.

For more than a half-century the housing industry, whether engaged in the production of private homes for ownership, rental housing in the private market, or socially created housing accommodation for low-income households, was viewed as an anti-recessionary economic activity of fundamental importance in combatting unemployment. It is emphasized that the short preamble to the National Housing Act 1944, read: "An Act to Promote the Construction of New Houses, the Improvement of Housing and Living Conditions, and the Expansion of Employment in the Postwar Period". It was only after a decade of near-full employment that the preamble to the National Housing Act 1954, read as before, with the elimination of the clause ...'and the Expansion of Employment in the Postwar Period'.

The impact of employment in housing construction with perhaps a half-million jobs, cannot be ignored. It is the multiplier effect of such economic activity that is equally important - in the industries supplying cement, concrete block, lumber, plaster, drywall, roofing, paint, appliances, carpeting, furniture, household equipment and many other essentials. During the forty years following 1950, there were few doubts among economists, social policy analysts and political scientists, that the Government of Canada had

several times stimulated or retarded the housing industry as circumstances required. On some occasions it was primarily the utilization of monetary policy in the manipulation of interest rates by the Bank of Canada that provided the stimulation or discouragement.

The puzzlement in the early 'nineties rests in the fact that for the first 15-18 months of the current recession there seemed to be no major policy of stimulating employment through housing construction. Construction dropped off in 1990 vis-a-vis 1989 and in 1991 versus 1990; similarly in 1992 to date. Unemployment in the construction industry and in largely dependent manufacturing is rampant.

Similarly, interest rates were maintained at discouraging levels as the Bank of Canada insisted throughout 1989-91, that the major Canadian economic and social problem was price inflation, not unemployment. Over these years as unemployment rose by three percentage points to reach 11%, the key central bank lending rate remained in the 12% range. In the late winter of 1991 the enormity of the economic crisis appeared to be recognized by the central bankers whose goal of inflation elimination had been virtually achieved. The inflation rate fell to less than 2 per cent. The Bank of Canada lending rate began to drop and by late summer of 1992 had reached 5 per cent.

The conundrum is, however, that these incredible reductions in interest rates have had only a modest effect on housing construction and sales of new homes. House prices of older homes have dropped by one-fifth or more all across the nation, with variations from Province to Province. Perhaps the most important socio-economic finding is the fact that personal confidence in the future is far more important than interest rate and price reductions in the housing market. The oft-cited theme is simply that it is difficult to maintain the confidence required to participate actively in that market when the principal income earner(s) lack confidence in the future stability of their employment.

The future of governmental participation in social housing in Canada appears bleak, certainly as far as revival of 'traditional' public housing is concerned. The non-profit and co-operative housing programs will continue but without federal funding.

These dismal conclusions may be ascribed to the financial difficulties - deficits and debt repayment requirements - of all Canadian governments. They may be ascribed to basic philosophical positions of political parties. They may be ascribed to major community dissatisfactions of the past half-century. The best explanation of the fall from grace of Canadian social housing is a combination of all these factors.